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Office of the Assistant General Counsel
for Technology Transfer and Intellectual Property
U.S. Department of Energy
1000 Independence Ave, SW, Washington DC 20585
ATTN: TECHNOLOGY TRANSFER QUESTIONS

Sent electronically to GC-62@hq.doe.gov

RE: Questions Concerning Technology Transfer Practices at DOE Laboratories
Federal Register, Vol. 73, No. 229

Dear Mr. Gottlieb:

IBM Corporation appreciates the opportunity to provide comments in response to the Department of Energy notice of inquiry. DOE Laboratories are a fundamental resource to government, industry, academia and the economy as a whole. All can benefit from efficient contracting processes and updated agreement terms and conditions.

We respond below to DOE's questions. In Exhibit A we compare the terms of the CRADA, WFO and Proprietary and Non-Proprietary User Agreements and we suggest and explain some proposed modifications. The modifications (a) harmonize language across the four agreements, (b) balance intellectual property, liability, and indemnity terms among government, contractor and participant, (c) suggest a structure of a master agreement with statements of work for each project, and (d) suggest an approach to US competitiveness that we believe is more in keeping with today's global economy.

1. Existing and Other Agreements

(i) What improvements to the existing transactions (e.g., CRADAs, WFOs, User Agreements, etc.) would you suggest that DOE consider?

Exhibit A compares the CRADA, WFO and User Agreements, with suggested changes.

(ii) Are there terms and conditions that are troublesome and what steps might DOE take to streamline these agreements?

Yes. See Exhibit A, particularly the provisions governing intellectual property rights, product liability, indemnification, and U.S. competitiveness.

(iii) Are there other types of research agreements or mechanisms that should be offered at DOE labs?

Yes. IBM suggests using an "open collaboration" approach for certain projects with DOE Laboratories. An open collaboration agreement is one under which there are no proprietary developments. All developments can be used by each party to the agreement and by third parties. This promotes use of the developments, reduces the time needed to enter into the agreement, and adapts to the increasingly collaborative nature of research and development in the 21st century. Two templates are attached: Open Collaboration Open Publication (OCOP, publications, Exhibit B.1) and Open Collaboration Open Source (OCOS, software, Exhibit B.2). These two templates are based on

principles designed to accelerate innovation, which were adopted by participants in the 2005 University and Industry Innovation Summit sponsored by IBM and the Ewing Marion Kauffman Foundation (Exhibit B.3)¹. An open collaboration approach would not necessarily require the creation of new DOE agreement types. Key components of an open collaboration agreement could be incorporated into a CRADA, WFO, or User agreements through the statement of work (SOW). In addition to shortening the time to execution, these open collaboration agreements can accommodate three or more parties working together under the same agreement.

(iv) How would such new agreement types or mechanisms be an improvement on or augment the existing agreements?

The OCOP and OCOS templates would add a tool for open collaboration among DOE, universities, nonprofits, and industry, resulting in publication and distribution of information and software for public use.

2. Best Practices

(i) Are there other agency, industry, non-profit or university technology transfer "best practices" DOE should consider adopting?

Yes.

(ii) What are they and how would they improve DOE's current technology transfer program?

A "master" or an "umbrella" agreement with individual SOWs for each project would allow modification of terms as needed for that project. This would help streamline negotiation of the initial agreement and later projects and also assist in contract administration for both DOE and the parties.

A system-wide template for collaborations among three or more parties, in addition to the CRADA which already makes provision for multiple parties, would support the increasing number of multi-party collaborations. Such a template would draw on the best terms in other agreements, provide a standard and equitable starting point for multi-way collaborations and shorten time to signing.

The best practices include open collaboration agreements; terms which apply to all parties, such as disclaimers of consequential damages; and harmonizing terms across agreements, all of which are covered elsewhere in this letter or the Exhibits.

3. U.S. Competitiveness

(i) What alternate approaches to addressing U.S. competitiveness would you suggest DOE consider?

IBM is fully committed to the U.S. economy and to maintaining U.S. competitiveness in today's global market. We believe that our proposal below is consistent with this commitment.

IBM has studied the proposed "substantial presence" proposal discussed in the background to the question. IBM recommends that a Bayh-Dole type approach, discussed in 3(v) and 3(vi), below, should instead be adopted by DOE.

¹ In addition to the Kauffman Foundation and IBM, the participants were Carnegie Mellon University, Georgia Institute of Technology, Rensselaer Polytechnic Institute, Stanford University, University of California at Berkeley, University of Illinois – Urbana - Champaign, The University of Texas at Austin, Cisco, HP, IBM and Intel. Additional collaborators included the National Science Foundation, the Office of U.S. Senator Joseph Lieberman and the National Academies' Government University Industry Research Roundtable (GUIRR).

(ii) How would these ["substantial presence"] alternatives help transactions/interface with DOE facilities?

The "substantial presence" alternatives may not be a good measure of the contribution to U.S. competitiveness by a U.S. company or university with significant activities outside of the U.S. In addition, negotiations on what makes a presence substantial can be lengthy, delaying research which could give the US a competitive edge.

(iii) Would any of these be a useful approach to industry to better streamline the process of the U.S. Competitiveness negotiation process?

IBM believes that the "substantial presence" alternatives set forth in the background to the question are unlikely to streamline the process of U.S. Competitiveness negotiation.

(iv) Does DOE's current implementation of U.S. Competitiveness have a negative impact on technology transfer? How?

Yes. It reduces the use and value of affected intellectual property since the intellectual property owner is constrained in who the potential assignees and/or licensees can be. Inability to transfer technology to a non-U.S. party within a global supply chain can inhibit the broader competitiveness of the U.S, and may make participants reluctant to work with the Laboratories.

(v) Would approaches taken by other Federal Agencies with regard to U.S. Competitiveness in CRADAs be useful?

Yes.

(vi) If so, what are those approaches and how are they implemented?

35 U.S.C Sec. 200 *et seq.* ("Bayh-Dole") allows recipients to take ownership of new technologies without limitation on their own manufacture so long as the recipient agrees not to assign or exclusively license those new technologies to other parties who do not agree to substantially manufacture in the U.S. This approach provides assurances that there will be substantial benefit to the U.S.

IBM suggests that this approach, namely reliance on U.S. preferences clauses as they now exist, coupled with Government March-In Rights, provides the Government and U.S. taxpayers with assurance that there will be substantial benefit to the U.S. economy and U.S. competitiveness.

4. The Intellectual Property Rights Disposition in Work For Others (WFO) Agreements

(i) How would these proposed changes affect the attractiveness of WFO Agreements?

IBM generally supports exploring the proposed changes described in the background to the question, e.g., the approach described in 4(ii), below.

(ii) What other options do you recommend for DOE to consider?

We suggest the following disposition of Subject Inventions, without a U.S. Competitiveness condition on the license granted to the sponsor for Contractor Subject Inventions (emphasis added):

Any Subject Invention will be the property of the inventing party, subject to the license granted here to the other party of the scope set forth in this Article for such Subject Invention and all

patents issued on it. Any Joint Invention shall be owned exclusively by Sponsor, subject to a license granted to the Contractor of the scope set forth in this Article. The Contractor assigns all right, title and interest in such Joint Inventions to Sponsor, its successors and assigns, together with the right to seek protection by obtaining patent rights. Sponsor will remain the exclusive owner of such Joint Inventions whether or not Sponsor seeks patent protection. The Contractor and Contractor's Representative will give Sponsor all reasonable assistance in connection with the preparation and prosecution of any patent application for any Joint Invention, and will cause to be executed all assignments and other instruments and documents as Sponsor may consider necessary or appropriate to carry out the intent of this Article.

All licenses for Subject Inventions granted to Contractor and Sponsor under this Article will be worldwide, irrevocable, nonexclusive, nontransferable, and fully paid-up, and will include the right to make, have made, use, have used, lease, sell, offer to sell, import and/or otherwise transfer any product, and to practice and have practiced any method. All licenses granted to Contractor and to Sponsor in this Article will include the right of the grantee to grant revocable or irrevocable sublicenses to its Subsidiaries, such sublicenses to include the right of the sublicensed Subsidiaries correspondingly to sublicense other Subsidiaries.

(iii) What is the desirable disposition of IP rights that would stimulate working with a DOE laboratory or facility?

See 4(i) and 4(ii), and Exhibit A, Sections 14-18.

(iv) Do the Government reserved licenses in Sponsor inventions, March-In Rights and U.S. preference clauses pose any problems for a successful project?

The Government reserved license in Sponsor Subject Inventions and March-In Rights serve legitimate Government and U.S. taxpayer interests. Although the same can be argued for the U.S. preference clause, the preference clause raises practical implementation concerns for globally integrated enterprises.

However, to the extent that the U.S. preference clause (whether for CRADA or in WFO or User agreements) accomplishes the same objective as described in 3(vi), above, IBM believes that those concerns are not prohibitive barriers.

5. Negotiable or Non-negotiable User Agreements

(i) Do you think these new DOE-wide standardized User Agreement formats which allow for some negotiation will promote timelier placement of User Agreements?

Yes.

(ii) Should DOE allow some negotiability of the terms or utilize agreements that are non-negotiable?

DOE should allow some negotiability of the terms. This will promote use of the Laboratories. In addition, IBM believes that adoption of the changes shown in Exhibit A will make the agreements more widely acceptable and promote timelier placement of agreements, with less negotiation.

(iii) Please describe the pros and cons of each approach.

If Users perceive terms and conditions as mutual and balanced, then their desire to negotiate is likely to be reduced. If not, Users may either request negotiations or be reluctant to work with the

Laboratories. Offering some ability to negotiate the agreements can help increase use of the Laboratories. Permitting negotiation could take longer than using nonnegotiable agreements, but the additional time could be contained by having standard alternate clauses. This approach has been used successfully in other government agreements.

6. Are there any other issues, concerns, or experiences that could make working with DOE laboratories and facilities more effective and efficient?

IBM believes the following may make interactions with DOE laboratories and facilities more effective and efficient:

(a) Posting standard agreements prominently and together on the DOE website, and calling attention to changes as DOE implements them;

(b) Providing annotations to common terms in the agreements, which could reduce time spent by DOE personnel in explaining terms to potential agreement partners. Allowing potential participants to propose the use of approved alternatives which may be more appropriate to a given project;

(c) Harmonizing certain practices used by the four agreements with other DOE agreements (e.g., procurement agreements) and vice versa. For example, providing in other DOE agreements (e.g., procurement agreements) a mechanism to reduce the time of obtaining an advance patent waiver on a case-by-case basis, e.g., by issuing additional class waivers or class waivers of a broader scope than previously granted, and/or streamlining the patent waiver process.; and

(d) Prominently posting an online list of DOE licensing personnel, their responsibilities, and contact information.

Thank you for this opportunity to comment on agreements and practices pertaining to tech transfer to and from the valued national laboratories and other DOE facilities.

Sincerely,

A handwritten signature in cursive script that reads "Sally Lu Lake".

Sally Lu Lake
IBM Associate General Counsel